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UNCLAS HARARE 000161

SIPDIS

E.O. 12958: N/A
TAGS: ECON ETRD ELTN ZI
SUBJECT: Metalwork company may close

¶1. Summary: Another pillar of Zimbabwe's economic infrastructure may crumble. The Zimbabwe Iron and Steel Company (ZISCO), a parastatal and the country's sole iron/steel manufacturing company, seems headed for closure unless Government comes up with a costly rescue package. End Summary.

Formerly Africa's largest steelworks

¶2. After an act of parliament created ZISCO in 1942, operations started at Redcliff in 1946, with the first iron produced in 1949. For many African industrialists, ZISCO has made an important historical mark, since it became the largest integrated steelworks in black Africa in the sixties and seventies. It remains a vital source of steel for products used in Zimbabwe's agricultural, mining, metal foundry and construction industries. However, the GOZ has badly mismanaged the plant since Independence, racking up debts of US$ 67.3 million. Some 18 studies by international consultants over the years have recommended modernization of the aging plant and equipment.

Steel vital for economy

¶3. Lacking forex for imports, Zimbabwean companies rely heavily on the company for raw materials. A sizable number of unemployed (at least in the formal sense) Zimbabweans are engaged in some form of metal-fabricating activity. The closure of ZISCO would thus add to the country's already high unemployment.

¶4. On its own, ZISCO employs as many as 6,000, who support over 20,000 dependents at its Redcliff plant. In addition, the company's subsidiaries of Lancashire Steel and Bucwa Iron ore mine collectively employ 1,350 with over 6,000 dependents. It was once reckoned that every steelworker indirectly creates employment for 25,000 others in upstream and downstream industries such as mining of ore and limestone, foundries, rolling mills, engineering and steel fabricating plants.

Political meddling

¶5. The GOZ has frequently changed managers at ZISCO without rhyme or reason. ZISCO managers have tried and failed repeatedly to launch a fourth blast furnace that could nearly triple output. In 1998, the GOZ tried briefly to privatize ZISCO and its associated companies. There were no serious offers as prospective buyers already saw which way the wind was blowing. The Government then invited a number of countries, including China, to aid the rehabilitation. Lots of talks ensued, but little concrete assistance materialized.

Comment

¶6. ZISCO provides yet another snapshot of the de-industrialization of Zimbabwe, whose economy has already shed 35 percent of real GDP in 5 years. Eternally optimistic Zimbabweans like to reassure themselves that the country will bounce back once it has rational government. However, it could take generations to repair the damage to Zimbabwe's infrastructure if the economy continues to lose one percent of each month for another year or so.

Sullivan